

Message Text

CONFIDENTIAL

PAGE 01 MANILA 10754 200941Z

11

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 SSO-00 NSCE-00 SS-15 L-03

NSC-10 INRE-00 DRC-01 /072 W
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O R 200900Z SEP 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 8124

INFO AMEMBASSY TOKYO

AMEMBASSY TAIPEI

C O N F I D E N T I A L MANILA 10754

FOR UNDER SECRETARY CASEY

DEPT PLEASE PASS WHITE HOUSE

E.O. 11652: GDS

TAGS: ETRN, RP

SUBJECT: CIVAIR: PHILIPPINE HOMECOMING FARES

REF: A. STATE 184297

B. MANILA 10740

1. I VERY MUCH FEAR THAT CAB, BY RECOMMENDING SUSPENSION OF "HOMECOMING" FARES FILED BY PAL, JAL, AND CAL, HAS, WITTINGLY OR UNWITTINGLY, OPENED A PANDOR'S BOX OF PROBLEMS IN PHILIPPINE-AMERICAN CIVIL AVIATION MATTERS, AND WITH RESPECT TO THE ENTIRE TRANS-PACIFIC FARE STRUCTURE. ALTHOUGH GOP ORIGINALLY ORDERED PAL TO FILE \$425 FARE, PAL AND THESE TWO SHREWD, EXPERIENCED TRANS-PACIFIC CARRIERS HAVE NOT RPT NOT ACTED IN ECONOMIC IGNORANCE AND HAVE CLEARLY STUDIED THE TACTICS WHICH WERE EFFECTIVELY USED TO UPSET THE PREVIOUSLY ESTABLISHED TRANS-ATLANTIC RATE STRUCTURE. IN MY JUDGMENT, THEIR TARGET IS NOTHING LESS THAN THE CAB-IMPOSED RATES IN THE PACIFIC.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MANILA 10754 200941Z

2. THEY ARE MOVING AT A TIME WHEN THERE IS AN AVAILABLE FLEET OF CHARTER AIRCRAFT WHICH HAVE FORMERLY FLOWN THE VIET-NAM TRAFFIC AND JUST AS THE SUMMER TOURIST SEASON ENDS. ONE CHARTER COMPANY (TIA) HAS ALREADY BEEN ENTICED TO JOIN THE "HOMECOMING" SERVICE, AND WE UNDERSTAND NON-US CARRIERS INCLUDING CANADIAN PACIFIC MAY ALREADY BE ENGAGED, WITH ASSISTANCE OF TRAVEL AGENTS, IN PROMOTION OF GROUP TRANS-PACIFIC TRAVEL WHICH DOES NOT COMPLY STRICTLY WITH AFFINITY AND OTHER CRITERIA OF CAB. GIVEN ALL THESE FACTORS, IT SEEMS HIGHLY LIKELY THAT THE BIG LOSERS IN THIS SUSPENSION MOVE WILL BE THE SCHEDULED U.S. CARRIERS CURRENTLY FLYING THE MANILA ROUTE, WHO MAY BE SQUEEZED OUT OF THE TRAFFIC. THIS WILL PREDICTABLY LEAD TO DEMANDS FOR REPRISALS AGAINST PAL UNDER PART 213, AND SPIRAL US DOWN INTO A SITUATION OF MUTUAL RECRIMINATION WHICH WILL HAVE FAR BROADER CONSEQUENCES THAN CIVIL AVIATION.

3. I DO NOT RPT NOT KNOW HOW SERIOUSLY JAL AND CAL TAKE THIS SITUATION. MY GUESS IS THAT THEY ARE USING PAL AS A STALKING HORSE AND QUITE WILLING TO LET U.S.-PHIL RELATIONS GO HANG. AT THE SAME TIME, OF COURSE, THEY WILL NOT BE AVERSE TO GIVING THE U.S. SCHEDULED CARRIERS ENOUGH ROPE TO HANG THEMSELVES.

4. I HAVE NO BRIEF FOR THE BRASH, HEAVY-HANDED WAY IN WHICH PAL HAS MANIPULATED ITS RELATIONS WITH THE U.S. AIR INDUSTRY. I SIMILARLY HAVE NO WAY TO DISPROVE THE CONTENTIONS SUBMITTED IN THE PAN AM AND NORTHWEST BRIEFS FILED WITH THE CAB. I DO HAVE THE DISTINCTLY UNEASY FEELING, HOWEVER, THAT THE TWO U.S. SCHEDULED CARRIERS ARE COUNTING ON THE CAB TO SUSTAIN AN ECONOMICALLY UNSOUND POSITION AGAINST AN ECONOMICALLY WELL-FOUNDED ATTACK AND THAT THEY THEMSELVES WILL BE BIG LOSERS IN A NASTY SCRAP WHICH WILL DRAG OFFICIAL U.S. AND PHILIPPINE RELATIONS INTO THE FRAY.

5. I THEREFORE HOPE THAT YOU WILL TAKE A CLOSE PERSONAL LOOK AT THIS SITUATION AND RAISE THE POLICY CONSIDERATIONS TO A LEVEL WHICH WILL PROTECT THE PRESIDENT FROM MAKING CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MANILA 10754 200941Z

A SEEMINGLY INSIGNIFICANT AND ROUTINE APPROVAL ON A MINOR AIR FARE MATTER WHICH WOULD HAVE CONSEQUENCES CONTRARY TO THE BEST OVERALL INTERESTS OF THE U.S.
SULLIVAN

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NNN

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